

Compliance Requirements Matrix

Comprehensive Overview of
Sustainability & Supply Chain Regulations

WHAT THIS TOOL IS

The Compliance Requirements Matrix is a comprehensive reference guide designed to help supply chain professionals, procurement teams, compliance officers, and business leaders navigate the complex landscape of sustainability and supply chain regulations across major global markets. This matrix provides a structured overview of key regulatory requirements, implementation timelines, and practical compliance strategies to help organizations maintain regulatory compliance while managing supplier relationships effectively.

Important Note: This matrix provides general guidance on major regulatory frameworks and should not be considered legal advice. Regulatory requirements vary significantly by company size, industry sector, geographic operations, and specific business activities. Always consult with qualified legal counsel, compliance professionals, and industry experts for specific regulatory interpretation and implementation strategies. Regulations are subject to frequent updates and modifications that may affect compliance obligations.

WHY THIS COMPLIANCE MATRIX IS ESSENTIAL

1 Prevents Regulatory Violations:

Non-compliance with sustainability and supply chain regulations can result in significant financial penalties, legal liability, and operational restrictions. This matrix helps identify applicable requirements before violations occur.

2 Enables Strategic Planning:

Understanding regulatory timelines and requirements allows organizations to plan implementation strategies, allocate resources effectively, and integrate compliance with broader business objectives.

3 Protects Supply Chain Continuity:

Many regulations directly impact supplier relationships and supply chain operations. Proactive compliance helps prevent supplier disruptions and maintains business continuity.

4 Supports Competitive Advantage:

Companies that implement strong compliance frameworks often achieve operational efficiencies, enhanced brand reputation, and improved customer relationships that provide competitive benefits.

5 Facilitates Stakeholder Confidence:

Robust compliance demonstrates commitment to responsible business practices, supporting investor confidence, customer trust, and employee engagement.

HOW TO USE THIS MATRIX

Assessment Phase:

Review the regulations applicable to your geographic markets, industry sectors, and business operations. Use the checklists to assess current compliance status and identify gaps.

Planning Phase:

Prioritize compliance activities based on implementation timelines, regulatory penalties, and business impact. Develop resource allocation and project plans accordingly.

Implementation Phase:

Use the detailed requirements and action items to guide compliance implementation, supplier engagement, and system development activities.

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Global Compliance Framework Overview

| Regulation Type | Geographic Scope | Industry Focus | Implementation Date | Compliance Deadline |
|---|--------------------------|------------------------------|------------------------|--------------------------|
| SEC Climate Disclosure Rules | United States | Public companies | March 2024 | 2025-2027 |
| Corporate Sustainability Reporting Directive (CSRD) | European Union | Large companies, listed SMEs | January 2024 | Phased: 2025-2028 |
| Supply Chain Due Diligence Laws | US States, EU, Global | Large enterprises | Varies by jurisdiction | 2024-2026 |
| Carbon Border Adjustment Mechanism | European Union | Import-intensive industries | October 2023 | Full implementation 2026 |
| Modern Slavery Act Reporting | US States, UK, Australia | Large companies | Ongoing | Annual reporting |

UNITED STATES REQUIREMENTS

Why This Matters: US regulations increasingly focus on transparency and disclosure, affecting both domestic operations and global supply chains for US companies.

SEC Climate Disclosure Rules

Scope & Applicability:

- All SEC registrants (public companies)
- Phased implementation based on company size

Key Requirements:

- Climate-related risks and their material impacts
- Climate strategy, targets, and transition plans
- Scope 1 and 2 emissions (with phase-in period)
- Scope 3 emissions (large accelerated filers only, if material)
- Third-party assurance for emissions data (phased)

Implementation Timeline:

- 2025: Large accelerated filers begin reporting
- 2026: Accelerated filers begin reporting
- 2027: All other registrants begin reporting

Compliance Actions Required:

- Conduct climate risk assessment and materiality analysis
- Implement greenhouse gas emissions measurement systems
- Engage suppliers for Scope 3 emissions data collection
- Develop climate governance and oversight processes
- Select and engage third-party assurance providers

UNITED STATES REQUIREMENTS

State-Level Supply Chain Transparency Requirements

California Supply Chain Transparency Act

- Disclosure of efforts to eradicate slavery and human trafficking
- Verification of product supply chains
- Supplier audits for compliance
- Certification requirements for suppliers
- Internal accountability standards

New York Fashion Sustainability Act (Proposed)

- Environmental and social due diligence for fashion companies
- Supply chain mapping and disclosure requirements
- Impact measurement and improvement targets

Conflict Minerals Rule (Dodd-Frank Section 1502)

- Annual conflict minerals report for applicable companies
- Reasonable country of origin inquiry (RCOI)
- Due diligence on source and chain of custody
- Independent private sector audit (if required)

EUROPEAN UNION REQUIREMENTS

Why This Matters: EU regulations often set global standards and affect companies worldwide through supply chain requirements and market access conditions.

Corporate Sustainability Reporting Directive (CSRD)

Scope & Applicability:

- Large EU companies (>250 employees OR >€40M revenue OR >€20M assets)
- Listed SMEs (delayed implementation to 2026)
- Non-EU companies with >€150M EU revenue

Key Requirements:

- Double materiality assessment (impact and financial materiality)
- Detailed ESG reporting following European Sustainability Reporting Standards (ESRS)
- Third-party assurance of sustainability information
- Digital reporting format (XBRL/iXBRL)
- Supply chain due diligence and reporting

Implementation Timeline:

- 2025: Large EU companies (already subject to NFRD)
- 2026: Other large EU companies and listed SMEs
- 2027: Listed SMEs (with opt-out until 2028)
- 2028: Non-EU companies

Carbon Border Adjustment Mechanism (CBAM)

Scope & Products:

- Cement, iron and steel, aluminum, fertilizers, electricity, hydrogen
- Expansion to additional sectors under consideration

Key Requirements:

- CBAM transitional reporting (2023-2026)
- Purchase CBAM certificates for carbon content (from 2026)
- Verify emissions data from non-EU suppliers
- Maintain detailed records and documentation

ASIA-PACIFIC REQUIREMENTS

Why This Matters: Asia-Pacific regulations increasingly align with global standards while addressing regional priorities and business practices.

Australia Modern Slavery Act

Scope:

- Entities with annual consolidated revenue >AUD \$100M

Requirements:

- Annual modern slavery statement
- Description of operations and supply chains
- Risk assessment and due diligence processes
- Actions taken to address modern slavery risks
- Effectiveness measurement and reporting

Japan Corporate Governance Code

ESG Requirements:

- Board diversity and inclusion policies
- Climate-related financial disclosures (TCFD)
- Sustainability strategy and risk management
- Stakeholder engagement practices

Singapore Mandatory Climate Reporting

Timeline:

- Phased implementation 2025-2027

Requirements:

- Climate governance and strategy disclosure
- Climate risk management processes
- Climate-related metrics and targets
- Board oversight of climate issue

INDUSTRY-SPECIFIC REQUIREMENTS

Manufacturing & Electronics

Key Compliance Areas:

- Double materiality assessment (impact and financial materiality)
- Detailed ESG reporting following European Sustainability Reporting Standards (ESRS)
- Third-party assurance of sustainability information
- Digital reporting format (XBRL/iXBRL)
- Supply chain due diligence and reporting

Textiles & Apparel

Emerging Requirements:

- Supply chain transparency and traceability legislation
- Chemical management and REACH compliance
- Extended producer responsibility for textiles
- Labor standards and working conditions monitoring
- Environmental impact measurement and reporting

Food & Agriculture

Key Areas:

- Deforestation-free supply chain requirements
- Organic certification and labeling standards
- Food safety and traceability regulations
- Sustainable agriculture practices certification
- Animal welfare and ethical sourcing standards

Automotive & Transportation

Regulatory Focus:

- Battery regulation and lifecycle management
- End-of-life vehicle recycling requirements
- Carbon emissions and fuel efficiency standards
- Supply chain due diligence for critical materials
- Circular economy and material recovery targets

COMPLIANCE IMPLEMENTATION STRATEGY

Why This Matters: Systematic implementation reduces compliance costs, minimizes regulatory risks, and creates operational efficiencies.

Phase 1: Assessment & Gap Analysis (Months 1-3)

Regulatory Mapping:

- Identify all applicable regulations by region and industry
- Assess current compliance status and gaps
- Evaluate supplier compliance capabilities
- Map regulatory timelines and critical deadlines

Resource Planning:

- Determine internal resource requirements and capabilities
- Identify external expertise needs (legal, technical, advisory)
- Budget for compliance implementation and ongoing costs
- Establish project governance and accountability structure

COMPLIANCE IMPLEMENTATION STRATEGY

Phase 2: System Development (Months 4-12)

Data & Reporting Systems:

- Implement data collection and management systems
- Establish supplier data requirements and collection processes
- Design reporting templates and workflow processes
- Set up third-party verification and assurance processes

Supplier Engagement:

- Communicate compliance requirements to supplier network
- Provide training and support for supplier compliance
- Implement supplier audit and monitoring programs
- Develop supplier improvement and capability building initiatives

Phase 3: Implementation & Monitoring (Ongoing)

Compliance Operations:

- Execute regular compliance monitoring and reporting
- Maintain regulatory update monitoring and alert system
- Conduct periodic compliance audits and performance reviews
- Manage stakeholder communication and disclosure processes

Continuous Improvement:

- Benchmark performance against industry best practices
- Integrate compliance considerations with business strategy
- Leverage compliance investments for competitive advantage
- Prepare for emerging regulatory requirements and trends

REGIONAL COMPLIANCE CHECKLIST

Operating in United States

- SEC climate disclosure preparation and implementation
- State-level supply chain transparency compliance
- Conflict minerals due diligence and reporting
- Federal procurement sustainability requirements
- Industry-specific regulatory compliance (FDA, EPA, etc.)

Operating in European Union

- CSRD compliance readiness and implementation
- CBAM transitional reporting and certificate management
- Supply chain due diligence directive preparation
- REACH chemical management and compliance
- GDPR data protection and privacy compliance

Operating in Asia-Pacific

- Modern slavery reporting requirements (Australia)
- Corporate governance and ESG requirements (Japan)
- Climate reporting preparation (Singapore)
- Supply chain transparency and labor standards
- Local environmental and social regulations

Global Operations

- Harmonized global compliance framework development
- Cross-border data and reporting management
- Multi-jurisdictional risk assessment and management
- Global supplier compliance standards and monitoring
- International sustainability standards alignment

COMPLIANCE RISK ASSESSMENT MATRIX

| Risk Level | Regulatory Impact | Timeline Pressure | Resource Requirements | Action Priority |
|---------------|---|-------------------|------------------------|------------------------|
| High | Mandatory compliance, significant penalties | <12 months | Substantial investment | Immediate action |
| Medium | Regulatory pressure, moderate impact | 12-24 months | Moderate investment | Planned implementation |
| Low | Voluntary or emerging requirements | >24 months | Limited investment | Monitor and prepare |

BEST PRACTICES FOR COMPLIANCE MANAGEMENT

Regulatory Monitoring

Monthly Activities:

- Monitor legislative updates and regulatory consultations
- Track rulemaking and guidance updates from key agencies
- Review industry-specific regulatory developments
- Update compliance calendars and deadlines

Quarterly Reviews:

- Assess compliance status across all applicable regulations
- Update regulatory timelines and implementation plans
- Review resource allocation and budget requirements
- Evaluate supplier compliance performance and risks

Annual Strategic Planning:

- Conduct comprehensive regulatory landscape analysis
- Develop compliance strategy and resource planning
- Plan stakeholder engagement and communication strategies
- Assess competitive advantages from compliance investments

BEST PRACTICES FOR COMPLIANCE MANAGEMENT

1 Leadership Commitment:

Ensure senior management champion compliance initiatives and provide necessary resources and authority.

2 Cross-Functional Integration:

Involve procurement, legal, sustainability, operations, and finance teams in compliance planning and execution.

3 Supplier Partnership:

Treat suppliers as partners in compliance rather than simply imposing requirements, providing support and capability building.

4 Technology Enablement:

Invest in systems and tools that automate data collection, monitoring, and reporting processes.

5 Continuous Learning:

Stay current with regulatory developments, industry best practices, and emerging compliance technologies.

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